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METHODOLOGICAL ISSUES

GUIDELINES UNDER ARTICLES 5, 7 AND 8 OF THE KYOTO PROTOCOL

Note by the secretariat

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INTRODUCTION

A. Mandate

1. Article 8.4 of the Kyoto Protocol states that the Conference of the Parties serving as the meeting of the Parties (COP/MOP) shall adopt at its first session, and review periodically thereafter, guidelines for the review of implementation of the Protocol by expert review teams taking into account the relevant decisions of the Conference of the Parties (COP).

2. At its fourth session, the COP adopted decision 8/CP.4 on the preparations for the first session of the COP/MOP. It decided that the preparatory work would include guidelines for the review of implementation by expert review teams under Article 8, with a view to completion by COP 6 and with the purpose of recommending their adoption by the COP/MOP at its first session (FCCC/CP/1998/16/Add.1).

3. At their tenth sessions, the subsidiary bodies endorsed the work programme on methodological issues related to Articles 5, 7 and 8 of the Kyoto Protocol (FCCC/SB/1999/2). The development of guidelines under Article 8 is an integral part of this work plan.

4. At its twelfth session, the Subsidiary Body for Scientific and Technological Advice (SBSTA) requested the secretariat to prepare draft guidelines, for consideration by the SBSTA at its thirteenth session, for the review process under Article 8 of the Kyoto Protocol, taking into account the report of the workshop on methodological issues related to Articles 5, 7 and 8 of the Kyoto Protocol, held in Bonn from 14 to 16 March 2000, contained in document FCCC/SBSTA/2000/INF.5 and Add.2, submissions from Parties and issues raised by Parties during the twelfth session of the SBSTA, including elements of draft guidelines as elaborated by Parties. The SBSTA made this request with the aim of recommending the adoption of guidelines for the review process under Article 8 of the Kyoto Protocol by the COP at its sixth session. The SBSTA recognized that some elements of these guidelines will be further elaborated at a later stage (FCCC/SBSTA/2000/5, para. 36 (d)).

B. Scope of the note

5. This note has been prepared in response to the request by the SBSTA and reflects discussions at the twelfth session of the SBSTA and a submission made during that session by one Party (FCCC/SBSTA/2000/MISC.1/Add.2). It also reflects additional comments provided by Parties on an informal basis in response to an invitation to Parties by the secretariat at the twelfth session.

6. This note comprises two annexes. The first contains elements of draft guidelines under Article 8 for parts I to VII relating to the general approach and review of inventories, assigned amounts, national systems, national registries, information submitted under Article 6 and national communications. The elements in parts I to III were subject to much discussion during

the twelfth SBSTA session. The remaining parts were subject to very little discussion and have therefore not been elaborated by the secretariat.

7. Annex II contains elements for a possible decision on timing and procedural aspects of reviews. The options in this section on when the pre-commitment period review, annual review and compilation and accounting of inventories and assigned amounts should commence were previously suggested in part I of the guidelines.

C. General approach

8. The approach taken in the preparation of this note follows the principle that guidelines for review under the Convention should be adopted by the COP and guidelines for review under the Protocol should be adopted by the COP/MOP.[1] However, for practical purposes guidelines under the Protocol may refer to those under the Convention where, for example, this is preferable to duplicating a description of review procedures and/or guidelines under the Convention and Protocol could be contained in a single document for ease of reference.

9. There are many variables in these guidelines including, *inter alia*, the roles of various bodies, what is reviewed, when events occur, the timing of particular steps, what is reported in relation to different aspects of review, composition of expert review teams and how to identify and classify problems. In order to simplify the text and avoid repetition, to the extent possible, the paper tries to separate out each of these. Parties may wish to bear this in mind when considering any suggested revisions to the text. The paper also tries to avoid duplication between general aspects of review described in part I and the remaining parts of the guidelines.

10. The terms "shall", "should" and "may" are used throughout these guidelines in line with guidelines previously adopted by the COP.

D. Issues

11. There are a number of issues, presented below, that need to be resolved in discussions on the guidelines under Article 8. Only when these issues are resolved can the procedural steps and associated time lines be considered in more detail and be more fully elaborated.

12. It is yet to be determined if an Annex I Party,[2] expert review team or adjustment team calculates adjustments and if any body that may be designated by the COP/MOP for compliance-related purposes has a role in the application of adjustments and, in some circumstances, even the calculation of adjustments.

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[1] Based on the opinion of the secretariat's legal officers.

[2] Annex I Parties in this document refers to Annex I Parties to the Convention which also became Parties to the Protocol, unless otherwise stated.

13. There are several different concepts about the composition of the expert review teams. It has been proposed that there should be a standing body or group which would conduct reviews and that this should be supplemented by other experts drawn from a roster. However, thus far, the nature of this standing body or group has not been considered in detail nor has its role in relation to different types of review.

14. Views differ on the scope of initial checks, the time they would take, if they are conducted by the secretariat or expert review teams, if they may result in questions of implementation to be forwarded to any body that may be designated by the COP/MOP for compliance-related purposes and when such questions may be forwarded. The draft text includes a section relating to a question of implementation, but this is not yet linked to the classification of problems, what happens in the event of dispute or other problems between the expert review team and the Annex I Party during the adjustment procedures and reporting. After further consideration the text could be worded to include such links.

15. Cross-cutting issues have not been highlighted in the draft text. Many aspects of the review guidelines are directly relevant for discussions on compliance, in particular, what is sent to any body that may be designated by the COP/MOP for compliance-related purposes and its role in providing assistance to Annex I Parties during review, dealing with disputes in relation to adjustments and possibly applying adjustments where there is no dispute. The draft text does not refer to a "compliance body" or "compliance institute" as this has not been established nor has the nomenclature been agreed, but the text may be amended throughout at a later stage to reflect such developments. Draft text relating to possible review of projects under Article 6 is of relevance to discussions on mechanisms.

16. The draft guidelines cover the review of Kyoto Protocol commitments. This includes commitments for Annex I Parties relating to greenhouse gas emission levels as set out in Annex B to the Kyoto Protocol. The guidelines should be drafted so that they also apply to Annex I Parties that are not listed in Annex B but that may also have quantified emission limitation or reduction objectives.

E. Possible action by the SBSTA

17. The SBSTA may wish to consider the information in this note and to endorse or modify the main elements in the guidelines under Article 8. Further elements may be identified during consideration by the SBSTA, with a view to preparing preliminary draft guidelines by COP 6 for forwarding to COP/MOP 1.

18. In accordance with paragraph 4 above, the SBSTA may wish to consider which aspects of the guidelines under Article 8 should be elaborated at a later stage and recommend when the guidelines should be further elaborated and completed.

19. Parties may wish to refer to the SBI issues related to Article 8 in accordance with the division of labour set out in decision 8/CP.4.

Annex I

DRAFT GUIDELINES FOR REVIEW UNDER ARTICLE 8

PART I: GENERAL APPROACH TO REVIEW

A. Objectives

1. The objectives for review under Article 8 of the Kyoto Protocol are:

(a) To establish a process for a thorough, objective and comprehensive technical assessment of all aspects of the implementation of the Kyoto Protocol by Annex I Parties;[1]

(b) To promote consistency and transparency in the review of information submitted by Annex I Parties under Article 7 of the Kyoto Protocol;

(c) To assist Annex I Parties in improving their reporting of information under Article 7 and the implementation of their commitments under the Protocol;

(d) To ensure that the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol (COP/MOP) and any body that may be designated by the COP/MOP for compliance purposes have the information necessary to carry out their assigned functions and to take decisions on any matter required for implementation of the Kyoto Protocol.

B. General approach

2. For Annex I Parties there shall be a single review process that shall encompass commitments under the Protocol and commitments under the Convention.

3. The provisions of these guidelines shall apply to the review of information submitted by Annex I Parties under Article 7 and relevant decisions of the Conference of the Parties (COP).

4. Expert review teams shall assess the implementation of the commitments of Annex I Parties and identify potential problems in, and factors influencing, the fulfilment of commitments. Expert review teams shall conduct technical reviews but not determine if an Annex I Party is in compliance with its commitments under the Protocol.

5. Expert review teams shall provide questions to Annex I Parties. Expert review teams may use relevant technical information, such as information from international organizations and

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[1] Annex I Parties in this document refers to Annex I Parties to the Convention which also became Parties to the Protocol, unless otherwise stated.

other sources, to verify information provided by Annex I Parties and when raising questions for Annex I Parties.

6. Annex I Parties shall provide expert review teams with access to information necessary to substantiate the implementation of their commitments under the Kyoto Protocol, in accordance with relevant guidelines adopted by the COP and/or the COP/MOP.

7. Where necessary, Annex I Parties may provide aggregate data to protect commercially sensitive or confidential information, but in sufficient detail for expert review teams to substantiate the implementation of the Annex I Party's commitments and in such cases the Annex I Party should explain the rationale. Expert review teams shall ensure the confidentiality of any information that they have received in confidence.

8. There shall be fixed time-frames for:

(a) Reviews during the pre-commitment period, annual reviews and periodic reviews for each Annex I Party as set out in parts II to VII of these guidelines;

(b) Each stage of a review in the pre-commitment period review, annual review and periodic review for each Annex I Party as set out in parts II to VII of these guidelines;

(c) Annex I Parties to respond to questions raised during the reviews as set out in parts II to VII of these guidelines. Whenever possible, failure to respond within the given time-frame should not lead to delay in the completion of any stage of the review.

C. General timing and procedures

9. Reviews prior to the first commitment period, annual reviews and the annual compilation and accounting of assigned amounts shall commence in accordance with relevant decisions of the COP/MOP.

1. Review prior to the first commitment period

10. Each Annex I Party shall be subject to review prior to the first commitment period.

Elements to be reviewed

11. The following elements shall be reviewed for each Annex I Party prior to the first commitment period:

(a) The base year inventory, prepared in accordance with guidelines for estimating greenhouse gas (GHG) emissions by sources and removals by sinks adopted by the COP and COP/MOP;

(b) The calculation of the initial assigned amount, in accordance with relevant decisions adopted by the COP/MOP;

(c) The national system, in accordance with guidelines for national systems under Article 5.1;

(d) The latest annual inventory, submitted to the secretariat at the time of review, prepared in accordance with guidelines for estimating emissions by sources and removals by sinks adopted by relevant decisions of the COP and/or COP/MOP;

(e) The national registry, in accordance with relevant decisions of the COP/MOP;

(f) [Projects under Article 6, in accordance with relevant decisions of the COP/MOP;]

(g) The national communication [including, *inter alia*, information related to Article 3.2 and 3.14] prepared in accordance with reporting guidelines adopted by the COP and the COP/MOP.

Procedures for the pre-commitment period review

12. The review of elements (a) to (g) above shall be conducted in accordance with parts II to VII of these guidelines.

13. Options: *What elements are reviewed together and by what teams?*

[Option 1: Each of the elements (a) to (g) above shall be reviewed together for each Annex I Party. A single in-country visit shall be conducted as part of the review.]

[Option 2: Each of the elements (a) to (g) above shall be reviewed simultaneously by separate expert review teams. An in-country visit shall be conducted as part of the review of elements [(a)] [(b)] [(c)] [(d)] [(e)] [(f)] and [(g)]]

[Option 3: Elements (a) to [(d)] [(f)] shall be reviewed together for each Annex I Party and separate from elements [(e) to] (g) which shall also be reviewed together. Two separate expert review teams shall conduct these reviews. Two separate in-country visits shall be conducted as part of the review of elements (a) to (d) [(f)] and [(e) to] (g)]

(Parties may wish to consider when national communications may be submitted under the Kyoto Protocol and hence when element (g) can be reviewed.)

2. Annual review

14. Each Annex I Party shall be subject to an annual review.

Elements to be reviewed

15. The following elements shall be part of the annual review:

(a) The annual inventory submission, including the national inventory report, and any changes in base year inventory;

(b) Assigned amount information;

(c) [Projects under Article 6;]

(d) Changes in national systems;

(e) Changes in national registries.

Procedures for the annual review

16. The elements above shall be reviewed in accordance with parts II to VI of these guidelines.

17. The annual review, including adjustment procedures as part of the review of the annual or base year inventory, should be concluded within one year of the [due date of] submission of the information to be reported under Article 7 [for each of the elements to be reviewed for each Annex I Party], excluding compliance-related procedures in the event of questions of implementation.

18. Elements (d) and (e) in paragraph 15 above shall only be subject to review as part of the annual review if problems or significant changes have been identified by an expert review team or if the Annex I Party reports significant changes in its inventory report.

19. Options: *What elements are reviewed together?*

[Option 1: Each of the elements in paragraph 15 above shall be reviewed together for each Annex I Party by a single expert review team.]

[Option 2: Each of the elements in paragraph 15 above shall be reviewed simultaneously by separate expert review teams.]

[Option 3: Elements (a) to (c) in paragraph 15 shall be reviewed together for each Annex I Party and separate from elements (d) and (e) in paragraph 15 which shall also be reviewed together. Two separate expert review teams shall conduct these reviews simultaneously.]

3. Annual compilation and accounting of emissions inventories and assigned amounts

20. After the annual review, each Annex I Party shall be subject to an annual compilation and accounting of emissions inventories and assigned amounts.

21. The annual compilation and accounting of emissions inventories and assigned amounts shall be conducted in accordance with part III of these guidelines.

4. Periodic review

22. Each Annex I Party should be subject to one in-country periodic review of its national communication reported in accordance with Article 7.2, [including, *inter alia*, supplementary information related to Articles 2, 3.2, 3.14, 10 and 11 of the Protocol] during the commitment period.

23. The periodic review shall be conducted in accordance with part VII of these guidelines.

24. The scheduled in-country visits shall be conducted over the course of the commitment period and not occur in a single year.

D. Reporting

25. Review reports for each Annex I Party should follow a comparable format and structure as set out in parts II to VII of these guidelines.

26. Options: *What is reported together for the pre-commitment review?*

[Option 1: For the pre-commitment review, for each Annex I Party, a single report on the review of elements in paragraph 11 shall be produced.]

[Option 2: For the pre-commitment review, for each Annex I Party, an individual report shall be produced for the review of each of the elements in paragraph 11.]

[Option 3: For the pre-commitment review, for each Annex I Party a report shall be produced on the review of elements [(a)] ,[(b)], [(c)], [(d)], [(e)] and [(f)] in paragraph 11 and a separate report on the review of elements [(e)], [(f)] and [(g)] in paragraph 11.]

27. Options: *What is reported together for the annual review?*

[Option 1: For the annual review, for each Annex I Party, a single report on the review of the elements in paragraph 15 shall be produced.]

[Option 2: For the annual review, for each Annex I Party, an individual report shall be produced for the review of each of the elements in paragraph 15.]

[Option 3. For the annual review, for each Annex I Party, a report shall be produced on the review of elements [(a)] ,[(b)], [(d)] and [(e)] in paragraph 15 and a separate report on the review of elements [(a)], [(b)], [(c)], [(d)] and [(e)] in paragraph 15.]

28. Final review reports and reports on the annual compilation and accounting of assigned amounts shall be published.

29. Final review reports [containing questions of implementation] shall be forwarded through the secretariat to any body that may be designated by the COP/MOP for compliance-related purposes and also to the COP/MOP.

E. Composition of expert review teams and institutional arrangements

30. Parties shall nominate experts to the roster of experts according to the procedures for such nominations. The secretariat shall select experts from the roster for expert review teams on the basis of their expertise and taking into account geographic balance, to the extent possible, in a manner that ensures the participation of non-Annex I Party experts.

31. Experts not nominated by Parties may be involved in the review process, providing inputs to the expert review team. Their role should be limited to assisting the expert review team and the secretariat, in particular with those tasks not involving judgements, and they should not have responsibility for the content of review reports. They should not be involved as part of the review of an individual Annex I Party, at any stage, without the agreement of the Annex I Party concerned. Such experts should work under the guidance of the expert review team.

32. Expert review teams for [all] [annual] reviews should be composed of experts from a standing [body] [group] supplemented by experts selected from the roster on an ad hoc basis. [Experts for review teams [for periodic reviews] should be selected on an ad hoc basis from the roster of experts.]

33. The standing [body] [group] of experts for review should be composed of [x] experts.

34. The standing [body] [group] should include, *inter alia*, experts for each major sector of Annex I Parties' inventories, national systems, national registries, Article 3.3 and 3.4, Article 6 projects and [each major sector of the national communications].

35. Service on the standing [body] [group] should be limited to [three] years.

36. The functions of the standing [body] [group] should include:

(a) Management of the review process, including commissioning appropriate experts from the roster of experts to undertake reviews;

(b) Responsibility for producing expert review reports;

(c) Training experts in how to conduct reviews.

F. Criteria for the inclusion of experts in expert review teams and in the standing body

37. The members of the standing [body] [group] of experts should be nominated by Parties.

38. Expert review teams should generally have an expert for each major area to be reviewed in accordance with the composition of the standing [body] [group] and main areas of expertise in the roster of experts.

39. Expert review teams shall be selected according to criteria agreed by the COP/MOP.

40. To the extent possible, and without compromising other selection criteria, expert review teams should include at least one member with the necessary language skills to assess background documentation that may not be available in English.

41. There should be a systematic approach to expert selection based upon the following criteria:

(a) Experts should have specific qualifications, experience and references for the task to which they are assigned;

(b) Experts should successfully complete a training programme covering, *inter alia*, how to conduct a review, agreed by the COP/MOP;

(c) Experts should have no conflict of interest, including involvement in the reporting of the Annex I Party being reviewed or nationality of the Annex I Party being reviewed;

(d) The same expert should not be involved in two successive reviews of the same Annex I Party.

PART II: REVIEW OF ANNUAL INVENTORIES

A. Purpose

1. The purpose of the review of Annex I Parties' annual GHG inventories is:

(a) To ensure that the COP/MOP and any body that may be designated by the COP/MOP for compliance-related purposes have adequate information on GHG inventories and trends in emissions by sources and removals by sinks;

(b) To examine in an objective, consistent and transparent manner the quantitative and qualitative information prepared by Annex I Parties in accordance with relevant guidelines adopted by the COP and/or COP/MOP including the Revised 1996 IPCC Guidelines for National Greenhouse Gas Inventories and IPCC good practice guidance;

(c) To provide a thorough and comprehensive technical assessment of GHG inventories.

2. [Option 1: To calculate and recommend the application of adjustments under Article 5.2 in accordance with these guidelines and guidance for adjustments under Article 5.2.]

[Option 2: To assess if adjustments under Article 5.2 are appropriate and to initiate the process of calculating adjustments.]

[Option 3: To review the calculation and application of adjustments by an Annex I Party in accordance with these guidelines and guidance for adjustments under Article 5.2.]

[Option 4: To review the calculation and application of adjustments by an Annex I Party and, if necessary, calculate and recommend the application of adjustments.]

B. Procedures

3. Each Annex I Party shall be subject to an annual review of its inventory submission.

4. The review should cover:

(a) The annual inventory submission, including the inventory data electronically submitted in the common reporting format (CRF) and the national inventory report;

(b) Supplementary information under Article 7.1 included in the national inventory submission.

5. The annual inventory review shall be in two stages:

(a) Initial check [by the secretariat with the participation of experts, if required] [by an expert review team];

(b) Individual inventory review by an expert review team.

1. Initial checks of annual inventories

6. The initial check shall determine promptly if the information provided is complete and in the correct format to enable subsequent review stages to occur, and to communicate this determination to Annex I Parties, in accordance with the UNFCCC guidelines for technical inventory review (FCCC/CP/1999/7) or any revisions to the guidelines by the COP or COP/MOP.

7. The initial check shall be conducted as a desk review after the submission of the annual inventory.

8. The initial check shall:

(a) Identify [first order] problems;

(The remainder of this paragraph and paragraph 9 largely duplicates text from document FCCC/CP/1999/7, so if paragraph 6 is retained then this could be deleted.)

(b) Determine promptly if the submission is complete and if information has been provided in the correct format in accordance with reporting guidelines on annual inventories;

(c) Identify gaps, problems or inconsistencies in the inventory data or documentation for clarification by the Annex I Party during the individual inventory review.

9. The assessment of completeness, in accordance with paragraph 8 (b) above, will determine, if:

(a) All sources, sinks and gases included in the Revised 1996 IPCC Guidelines for National Greenhouse Gas Inventories are reported and any gaps explained, where gaps should include empty cells in the CRF and/or frequent resort to the notation keys NE (not estimated), NA (not available) etc. in completing the CRF;

(b) Methodologies are documented;

(c) Estimates for carbon dioxide (CO_2) emissions from fossil fuel combustion are reported using the IPCC reference approach in addition to estimates derived using national methods;

(d) Estimates for hydrofluorocarbon, perfluorocarbon and sulphur hexafluoride emissions are reported by individual chemical species.

10. After the initial check, for each Annex I Party, [a status] [an initial check] report shall be produced before the individual inventory review may begin.

2. Individual inventory reviews

11. Individual inventory reviews shall provide for a detailed examination of inventory estimates and procedures and methodologies used in the preparation of inventories in accordance with the UNFCCC guidelines for technical inventory review (FCCC/CP/1999/7) or any revisions by the COP or COP/MOP.

12. The individual inventory review shall, *inter alia*:

(a) Identify [first order] problems;

(b) Identify problems for which adjustments under Article 5.2 would be appropriate and [calculate] [initiate procedures for calculation of] adjustments;

(The remainder of this paragraph largely duplicates text from document FCCC/CP/1999/7, so if paragraph 11 is retained then this could be deleted.)

(c) Examine departures from the requirements of the Revised 1996 IPCC Guidelines for National Greenhouse Gas Inventories and the reporting guidelines on annual inventories;

(d) Examine whether the IPCC good practice guidance was applied and documented, in particular noting the identification of key source categories, selection and use of methodologies and assumptions, development and selection of emission factors, collection and selection of activity data, reporting of methodologies used for estimating uncertainties, reporting of consistent time series and reporting of uncertainties related to inventory estimates;

(e) Compare emission or removal estimates, activity data, implied emission factors and any recalculations with data from previous submissions of the Annex I Party to identify any irregularities or inconsistencies;

(f) Compare the Annex I Party's activity data with relevant external authoritative sources, if feasible, and identify any inconsistencies;

(g) Assess the consistency of information in the common reporting format with that in the national inventory report;

(h) Assess the extent to which issues and questions raised by expert review teams in previous reports have been addressed and resolved;

(i) Recommend possible ways in which to improve methodologies and reporting of inventory information.

Procedures for individual inventory reviews

13. The individual inventory review shall occur in conjunction with the review of [assigned amount], [projects under Article 6], [changes in national systems], [changes in national registries] as set out in part I of these guidelines.

14. The base year inventory should only be reviewed once prior to the commitment period. During the commitment period, the base year inventory shall be reviewed if it has been subject to recalculation.

15. Each Annex I Party shall be subject to at least one in-country visit by an expert review team during the commitment period as part of its annual review. In years when an in-country visit is not conducted, the annual review should be conducted as a desk review.

16. In-country visits should be scheduled, planned and take place with the consent of the Annex I Party subject to review. The scheduled in-country visits of Annex I Parties shall be evenly distributed over the course of the commitment period.

17. In years when an in-country visit is not scheduled, expert review teams can request an in-country visit, based on the findings in the desk review, subject to consent from the Annex I Party. The expert review team shall provide a rationale for the additional country visit and shall compile a list of questions and issues to be addressed during the country visit to be sent to the Annex I Party in advance of the visit.

18. If an unscheduled in-country visit occurs then the expert review team may recommend that a pending scheduled in-country visit may not be necessary.

Timing of the individual inventory reviews

19. The individual inventory review, including adjustment procedures, should be completed within one year of the submission of the information to be reported under Article 7 for each Annex I Party, excluding the time required for compliance-related procedures in the event of questions of implementation.

20. Options: *Timing of in-country visits*

[Option 1: The scheduled in-country visit should occur in conjunction with the periodic review for each Annex I Party and with an expert review team distinct from the periodic expert review team.]

[Option 2: The scheduled in-country visit should occur in a different year to the periodic review.]

[Option 3. The scheduled in-country visit may occur in conjunction with the periodic review or in a different year in accordance with the agreement between the Annex I Party and the secretariat [expert review team].

C. Roles

1. Role of Annex I Parties

21. Annex I Parties shall provide expert review teams with access to the information necessary to verify the estimation of the inventory and related assigned amount data, including archived information in accordance with guidelines on national systems and relevant decisions of the COP/MOP and, during the in-country visit, shall also provide appropriate working facilities.

22. Annex I Parties shall make every reasonable effort to respond to all requests from the expert review team as soon as possible, but at least within the time limits set out in these guidelines.

23. Annex I Parties may seek assistance from the body that may be designated by the COP/MOP for compliance-related purposes, provided that the expert review team first agrees that the assistance sought is appropriate for the problems concerned.

24. [Annex I Parties may, as necessary, calculate and apply adjustments.]

2. Role of the expert review teams

25. At any stage in the review process, expert review teams may raise questions for Annex I Parties and these shall not be considered as 'questions of implementation' under Article 8.3.

26. Expert review teams shall make every reasonable effort to provide advice to Annex I Parties on how to correct problems that they identify.

27. Expert review teams shall, under their collective responsibility, produce [initial check] [status] reports [and] individual inventory review reports and [synthesis and assessment] [compilation and synthesis] reports

28. Options: *Role of review team in relation to adjustments*

[Option 1. The expert review team shall review the calculation and application of adjustments by an Annex I Party and, if necessary, calculate and recommend the application of adjustments.]

[Option 2. Expert review teams, shall, as necessary, calculate [and apply] [and recommend the application of] adjustments.]

[Option 3. If the expert review team recommends the calculation of an adjustment it shall select experts from the standing [body][group] and/or the roster of experts, taking into account the required expertise and the number of adjustments to be calculated to form an adjustment team.]

29. Option: *The expert review team as a commissioning agent*

30. Expert review teams shall commission experts from the roster of experts to consider issues raised by the initial checks and other questions, including adjustments. Experts commissioned in this manner shall be considered to be members of an expert review team.

31. Experts from the roster of experts shall be commissioned, as needed, to investigate problems identified by the expert review teams.

32. Expert review teams shall take into account the results of commissioned experts' investigations in drafting individual inventory review reports.

3. [Role of the adjustment teams

33. Adjustment teams shall, as recommended by the expert review team, calculate and [apply] [recommend the application of] adjustments.

34. The adjustment team shall exist until such time as the adjustment is accepted by the Annex I Party and the compliance body.]

4. Role of the secretariat

35. The secretariat shall:

(a) Support the review process including the pre-commitment period review, annual review and annual compilation and accounting of inventories and assigned amounts;

(b) Forward to the expert review teams national reports submitted by Annex I Parties;

(c) [Conduct initial checks;]

(d) Publish expert review team reports;

(e) List those questions of implementation identified by the expert review team in the final review report;

(f) Coordinate expert review teams.

5. Relationship to any body that may be designated by the COP/MOP for compliance purposes

36. All final review reports [including first order problems] shall be forwarded to any body that may be designated by the COP/MOP for compliance-related purposes.

37. [Any body that may be designated by the COP/MOP for compliance-related purposes may, as required, [calculate and] apply adjustments.]

D. Identification and classification of problems by the expert review team

1. Identification

38. Problems should be identified as a failure to follow agreed guidelines under Article 5.1 in preparing GHG inventories, as a failure to follow reporting guidelines for inventories submitted under Article 7 of the Protocol and relevant COP decisions and as a failure to follow agreed methodologies for estimating and reporting activities under Article 3.3 and 3.4. These may be further subdivided as problems of:

(a) Implications for total aggregated inventory estimates, trends or the base year inventory including all inventory problems that lead to overestimation of base year emissions, or underestimation of emissions in the commitment period;

(b) Transparency, as defined in the inventory reporting guidelines under Article 7 and relevant COP decisions, including:

(i) Inadequate documentation and description of methodologies, assumptions and recalculations;

(ii) Failure to disaggregate national activity data, emission factors and other factors used in national methods at the required level;

(iii) Failure to provide justifications for recalculations, references and information sources for key factors and data;

(c) Consistency, as defined in reporting guidelines under Article 7, including:

(i) Failure to provide consistent time-series in accordance with good practice guidance;

(ii) Failure of recalculations to improve accuracy or completeness;

(d) Comparability, as defined in reporting guidelines under Article 7, including failure to use agreed reporting formats;

(e) Completeness, as defined in reporting guidelines under Article 7, including:

(i) Gaps in the inventory estimates for source categories or gases;

(ii) Inventory data that do not provide full geographic coverage of sources and sinks of an Annex I Party;

(iii) Failure to provide full coverage of sources in a source category;

(f) Accuracy, as defined in reporting guidelines under Article 7, including:

(i) Failure to provide estimates of uncertainties;

(ii) Inappropriate estimation of uncertainties;

(g) Timeliness, as defined in reporting guidelines under Article 7 and any relevant decisions of the COP.

39. Problems should, to the extent possible, only be described in terms of one of the categories above.

40. For each [outstanding] problem, the expert review team shall calculate the part of the emissions estimate affected by the problem as a proportion of the total annual inventory estimate, expressed in terms of CO_2 equivalent.

2. Classification of first order problems

41. [All problems found by the review team shall be classified during the course of the review.] [Outstanding problems shall be classified after the Annex I Party has had an opportunity to correct any such problems.]

42. Problems shall be classified as [first order] or [other].

43. The following problems should be classified as [first order] and should be identified after the initial check:

(a) Failure to submit an annual GHG inventory or an annual inventory report at the due date or within two weeks of the due date if, in advance, the secretariat was notified by the Annex I Party that its submission would be up to two weeks late along with a valid reason for the delay;

(b) Failure to submit estimates for a source category, as defined in chapter 7 of the IPCC good practice guidance agreed by the COP, that individually accounts for [x] per cent or more of the Annex I Party's total GHG emissions for the most recent year in the latest submitted inventory containing [full data] [an estimate] for the respective source category;

(c) Unexplained, apparent data inconsistencies, including inconsistencies with previously submitted inventories and inconsistencies between different parts of the inventory where a particular inconsistency accounts for more than [x] per cent of the total inventory estimate.

44. The following problems should be classified as [first order] and should be identified during the individual inventory review:

(a) The difference over a period of years between the Annex I Party's inventory including adjustments and its submitted inventory taken as a proportion of its annual submitted inventory over the same period of years equals or exceeds [x] per cent.

(b) The proportion of the inventory subject to an adjustment is more than [x] per cent of the total GHG inventory for the most recent inventory for which a review has been completed.

(c) The proportion of the inventory subject to an individual adjustment is more than [x] per cent of the latest total inventory accepted by the compliance body.

(d) Data inconsistencies including inconsistencies with previously submitted inventories or between different parts of the inventory where a particular inconsistency accounts for more than [x] per cent of the total inventory estimate.

(e) Methodological problems relating to inventory estimates that account for more than [x] per cent of the total GHG inventory estimate for a particular year.

(f) Methodological problems relating to inventory estimates which account for more than [x] per cent of the latest total GHG inventory accepted by the compliance body.

(g) Unresolvable differences arising between an expert review team and the Annex I Party, including differences about the calculation and application of adjustments.

(h) A problem was listed as a question of implementation following a previous review and the expert review team is of the view that the Annex I Party did not take sufficient action to resolve it and/or that the recommendations of the compliance body have not been followed sufficiently.

(i) Unsatisfactory additional information and responses to the expert review team's questions from the Annex I Party resulting in outstanding questions.

(Once the options have been agreed for the above two paragraphs, it will be necessary to work on the language so that the meaning of each is clear; for example 'methodological' problems may need definition.)

E. Identification of questions of implementation

45. When questions are raised by expert review teams during the review, the Annex I Party should be provided with an opportunity to answer such questions, clarify issues or provide additional information. Such questions should not be considered as "questions of implementation" under Article 8.3.

46. If, in the view of the expert review team, the Annex I Party's responses to questions, including any additional information provided, is insufficient to satisfactorily answer them then the expert review team should include the questions in its draft review report along with any information available to substantiate the questions.

47. The Annex I Party may provide explanatory text for inclusion in the final review report. If in the view of the expert review team the explanatory text is insufficient to satisfactorily answer the questions then it should retain the questions in its final review report along with the explanatory text and any information available to substantiate the questions. Such questions should be considered as "questions of implementation" under Article 8.3.

F. Procedures for adjustments in accordance with Article 5.2

What is adjusted?

48. Adjustments under Article 5.2 should be calculated and applied only when inventory data are incomplete and/or calculated in a way that is not consistent with the Revised 1996 IPCC Guidelines for National Greenhouse Gas Inventories as elaborated by any good practice agreed by the COP.

49. Adjustments shall be calculated in accordance with any guidance under Article 5.2.

50. All problems with direct implications on the total aggregated inventory estimate or trend are potentially adjustable and, where possible, should be adjusted.

When are adjustments to be calculated and applied?

51. Options: *When adjustments are calculated?*

[Option 1: Adjustments should be calculated [and applied] by an Annex I Party before it submits its inventory to the secretariat or upon recommendation of an expert review team]

[Option 2: Adjustments should only be calculated [and applied] [after an Annex I Party has had the opportunity to correct a problem] [if an Annex I Party has not adequately corrected the problem through the provision of an acceptable revised estimate], in accordance with the time-frames set out in these guidelines.]

52. Prior to the first commitment period, adjustments may be calculated [and applied] to the base year inventory [and the latest submitted inventory subject to review].

53. Options: *Limits on adjustments*

[Option 1: Adjustments shall not be [calculated or] applied if:]

[Option 2: Adjustments shall be forwarded to the compliance body for further determination if:]

(a) There is an unresolvable difference between the Annex I Party and the expert review team, or if either the expert review team or Annex I Party does not accept the adjustment;

(b) The underlying problem is [first order];

(c) In total, the adjustments exceed [x] per cent of the total inventory in a particular year ; or

(d) The expert review team recommends, following an in-country visit, that due to special circumstances an adjustment should not be calculated.

Who calculates [and applies] adjustments?

54. The procedure for the calculation of adjustments should be as follows:

[Option 1: *The expert review or adjustment team calculates adjustments*

During the individual inventory review, an expert review team shall identify problems to which the criteria in the guidance for adjustments under Article 5.2 apply. The expert review team shall notify the Annex I Party of the rationale why an adjustment is considered necessary and provide advice on how the problem could be corrected. If the problem is not corrected within the time-frame set out in these guidelines then adjustment procedures shall commence.

The [expert review team] [adjustment team, under the auspices of the expert review team] shall calculate the adjustment and recommend the application of an adjustment to the Annex I Party.

The Annex I Party shall decide whether to accept [the application of] the adjustment. If the Annex I Party accepts the adjustment, the adjusted estimate shall be registered in its national registry.

If the Annex I Party does not accept the adjustment it should send a notification to the expert review team including its rationale and the expert review team should send the notification along with its recommendation to any body that may be designated by the COP/MOP for compliance-related purposes.

The expert review team should identify possible ways for the Annex I Party to address and resolve the underlying problem.]

[Option 2: *The Party calculates an adjustment or the expert review team*

An adjustment may be calculated by an Annex I Party, in accordance with the recommendations of an expert review team.

The expert review team shall decide whether to accept or reject the adjustment.

If the Annex I Party's adjustment is rejected by the expert review team, the expert review team shall calculate an adjustment and recommend it to the Annex I Party.

The Annex I Party shall decide whether to accept the [application of the] adjustment.

If the Annex I Party disagrees with the expert review team's recommendation, this shall be notified to any body that may be designated by the COP/MOP for compliance-related purposes.]

[Option 3: *The Annex I Party calculates the adjustment*

Adjustments may be applied by an Annex I Party before it submits its inventory to the secretariat or upon the recommendation of an expert review team.

In the event that the Annex I Party has difficulty in calculating an appropriate adjustment it should seek assistance from the facilitative branch of any body that may be designated by the COP/MOP for compliance-related purposes in relation to the underlying problem and, if appropriate, the calculation of the adjustment.

Should there be an unresolvable difference between an Annex I Party and an expert review team, the question should be referred to any body that may be designated by the COP/MOP for compliance-related purposes.

Any body that may be designated by the COP/MOP for compliance-related purposes may calculate and apply an adjustment, in accordance with the guidance on methodologies for adjustments under Article 5.2.

55. Options: *Substituting adjustments with revised estimates*

[Option 1. [If an adjustment is applied to an Annex I Party] [If an Annex I Party [applies] accepts an adjustment] before or during the first commitment period, but later is able to provide a revised estimate, the adjustment could be substituted by the revised estimate, subject to the approval of the expert review team, [prior to the end of the first commitment period] [prior to the review of the inventory due in 2012].

[Option 2. If an Annex I Party [applies] accepts an adjustment, but later is able to provide a revised estimate, the Annex I Party may request any body that may be designated by the COP/MOP for compliance-related purposes, in consultation with the expert review team, to substitute the adjustment with the revised estimate prior to the end of the first commitment period.]

G. [Compilation and synthesis] [Synthesis and assessment]

56. A [compilation and synthesis] [synthesis and assessment] of inventory data for all Annex I Parties shall be prepared by the secretariat [with the assistance of expert review teams] after the initial check stage to be used in the individual inventory review.

57. Information from the [compilation and synthesis] [synthesis and assessment] shall be made available to the expert review teams to assist them in their reviews.

H. Timing

58. The secretariat, the expert review team [adjustment team] and each Annex I Party should follow the timing indicated in the table below.

Timing of review and adjustment procedures

AGENT	ACTION	MAXIMUM TIME-SCALE
	Initial checks	
[Expert review team] [secretariat]	Initial check and draft [status] [initial check] report	6 weeks
Annex I Party	Comment on status report	2 weeks

Expert review team	Produce revised report with outstanding questions	2 weeks
Annex I Party	Provide explanatory text (where necessary)	1 week
Expert review team	Produce final report	1 week
Secretariat	Publish [status] [initial check] report and forward to a body for compliance purposes	2 weeks
	Assistance	
Annex I Party	Request assistance	4 weeks from receipt of the [status] [initial check] report
Expert review team	Recommend if appropriate	2 weeks from request
Body for compliance	Provide assistance	6 weeks from recommendation
	Individual desk review[2]	
Expert review team	Send first questions to Party	3 weeks from publication of [initial check] [status] report
Annex I Party	Respond to any questions	3 weeks from receipt
Expert review team	Request additional in-country visit, if necessary	7 weeks from publication of [status] [initial check] report
Secretariat	Organize additional in-country visit with Annex I Party	8 weeks from request
	Individual in-country reviews	
Expert review team	Send first questions in advance of visit	3 weeks from publication of [status] [initial check] report
Annex I Party	Respond to any questions	3 weeks
Expert review team	In-country visit	1 week

[2] A Party would be subject either to a desk review or to a scheduled in-country review in a particular year.

Adjustment process[3]		
Expert review team	Select adjustment team	2 weeks from recommendation of adjustment to the Party
Adjustment team	Calculate adjustments	4 weeks from being established
Annex I Party	Accept or reject adjustments and advise the adjustment team	2 weeks from receipt
Adjustment team	Complete adjustment report	2 weeks from response by the Party
Expert review team	Review adjustment procedure	1 week from receipt of report
Expert review team	Notify the body for compliance purposes in the event of a dispute	1 week from receipt of report
Body for compliance purposes	[Calculate and] Apply adjustments	6 weeks from request
or		
Annex I Party	Calculate adjustments	4 weeks from recommendation by the expert review team
Expert review team	Review adjustments and decide whether to accept or reject adjustments by the Party	2 weeks from receipt
Expert review team	Calculate adjustments [if the Party's adjustment was rejected]	3 weeks
Annex I Party	Accept or reject adjustments and advise the expert review team	1 week from receipt
Expert review team	Notify the body for compliance purposes in the event of a dispute and produce adjustment report	2 weeks from receipt of Party's response
Body for compliance purposes	[Calculate and] Apply adjustments	6 weeks from request

[3] The adjustment process will only be used if necessary.

or		
Annex I Party	Calculate adjustments	4 weeks from recommendation by the expert review team
Expert review team	Review adjustments and decide whether to accept or reject adjustments by the Party	2 weeks from receipt
Expert review team	Notify the body for compliance purposes in the event of a dispute and produce adjustment report	3 weeks from receipt
Body for compliance purposes	[Calculate and] Apply adjustments	6 weeks from request
	Final individual inventory review report	
Expert review team	Produce draft individual inventory report	x weeks from publication of [status] [initial check] report
Annex I Party	Comment on draft individual inventory report	4 weeks from receipt
Expert review team	Produce revised draft inventory report	3 weeks from receipt of comments
Annex I Party	Comment on revised draft individual inventory report	2 weeks from receipt
Expert review team	Produce final individual inventory report	2 weeks from receipt of comments
Secretariat	Edit and publish final individual inventory report	2 weeks from receipt
	Total time allotted to all tasks	52 weeks

I. Reporting

59. There shall be two reports for each Annex I Party: [an initial check] [a status] report after the initial check and an individual inventory review report after the annual inventory review.

60. There shall be a report on the [compilation and synthesis] [synthesis and assessment] for all Annex I Parties.

61. The draft of each [initial check] [status] and individual review] report shall be sent to the Annex I Party subject to review for comment.

62. [There shall be a separate report on any adjustments for each Annex I Party.]

1. Outline structure of the [status] [initial check] report

63. The [status] [initial check] report should include, *inter alia*:

(a) The date of receipt of the inventory submission by the secretariat;

(b) Information in accordance with the UNFCCC guidelines for technical inventory review and any subsequent revision of these guidelines;

(c) Where a source category is missing, the proportion of the overall inventory that the source category represents, relative to the [last [available] inventory] [accepted by the body that may be designated by the COP/MOP for compliance-related purposes] [for which review has been completed.]

2. Outline structure of the individual inventory review report

64. The final report shall include, where relevant:

(a) A general description of the inventory including a description of emission trends, key sources and methodologies and a general assessment of the inventory;

(b) Identification and classification of [unresolved] inventory problems and a description of factors influencing the Annex I Party's fulfilment of its inventory-related obligations;

(c) The Annex I Party's response to recommendations of the compliance body after or during the previous review;

(d) Possible recommendations by the expert review team on the conduct of the review in subsequent years, including which parts of the inventory may be considered in-depth and which may need little consideration;

(e) For adjustments, the original estimate, the underlying problem, if applicable, the adjusted estimate, the rationale for the adjustment, the assumptions, data and methodology used to calculate the adjustment, a description of how the adjustment is conservative, the uncertainty associated with the adjustment, the expert review team's identification of possible ways for the Annex I Party to address the underlying problem, adjustments as a share of the total GHG inventory for the year concerned and whether the adjustment was agreed upon by the Party and the expert review team;

(f) Options proposed by the expert review team and the Annex I Party's response during all stages of the review process;

(g) Information on difficulties experienced by expert review teams during the review;

(h) Information on any other issue of concern that has been identified but not investigated by the expert review team;

(i) For outstanding problems and questions, an estimation of the quantifiable implications of the problem on the total aggregate inventory estimate, the base year estimate or the trend, together with an estimate of the uncertainty of this estimation.

3. [Outline structure of the adjustment report

65. The adjustment report should include, *inter alia*, the original estimate, the underlying problem, if applicable, the adjusted estimate, the rationale for the adjustment, the assumptions, data and methodology used to calculate the adjustment, a description of how the adjustment is conservative, the uncertainty associated with the adjustment, the expert review team's identification of possible ways for the Annex I Party to address the underlying problem, adjustments as a share of the total GHG inventory for the year concerned and whether the adjustment was agreed upon by the Annex I Party and the expert review team.]

PART III: REVIEW OF INFORMATION ON ASSIGNED AMOUNTS

A. Purpose

1. The purpose of the review of information on assigned amounts and the annual compilation and accounting of emissions inventories and assigned amounts is to ensure that the COP/MOP and any body that may be designated by the COP/MOP for compliance-related purposes have adequate information on emission inventories and assigned amounts for each year of the commitment period.

B. Timing and procedures

2. The review of information on assigned amounts and annual compilation and accounting of emissions inventories and assigned amounts shall cover:

(a) Initial assigned amounts;

(b) Annual GHG emissions inventory information that has been subject to an annual review;

(c) Adjustments under Article 5.2;

(d) Cumulative emissions in the commitment period, taking into account any adjustments agreed in accordance with the provisions of these guidelines;

(e) Transfers and acquisitions under Articles 6, 12 and 17;

(f) GHG emissions or removals under Article 3.3 and 3.4;

(g) Retirement and cancellation of assigned amount units;

(h) Total holdings of assigned amounts in the national registry;

(i) Banked assigned amount units at the end of the commitment period.

1. Review of the assigned amount

3. The expert review team shall review the information on assigned amounts as a centralized desk exercise.

4. The secretariat and the expert review team shall record the initial assigned amount for the purposes of compilation and accounting under Article 8.3.

5. The expert review team shall:

(a) Check that the initial assigned amount is calculated in accordance with Article 3.7 and 3.8 and if it is consistent with the reviewed base year inventory;

(b) Cross-check the reported information on transfers and acquisitions between Parties and highlight any discrepancies;

(c) Assess the consistency of assigned amounts units issued, covering the initial assigned amount and issuance under Article 3.3 and 3.4, with inventory estimates and adjustments;

(d) Assess the [issuance] [changes] to assigned amounts under Article 3.3 and 3.4 reported in accordance with methodologies under that Article;

(e) Check if information is complete and submitted in accordance with the guidelines under Article 7 and relevant decisions of the COP.

2. Annual compilation and accounting of assigned amounts

Procedures for the compilation and accounting of emissions inventories and assigned amounts

6. The annual compilation and accounting of assigned amounts shall occur for [each] [all] Annex I Party [Parties] after its [all] individual inventory review[s] is [are] complete, including any compliance-related procedures in the event of questions of implementation.

7. The [secretariat] [expert review team] shall conduct the annual compilation and accounting of assigned amounts as a desk exercise.

8. Adjustments should result in the substitution of a revised technical estimate for the purpose of accounting of the Parties' emissions and assigned amounts.

9. Options: *Timing of annual compilation and accounting at the end of the commitment period*

[Option 1: Following the annual review of the inventory for the final year of the commitment period, an additional [x] weeks shall be allowed before the expert review team conducts the annual compilation and accounting of emissions inventories and assigned amounts.]

[Option 2: Following the annual review of the inventory for the final year of the commitment period, the expert review team shall conduct the annual compilation and accounting of emissions inventories and assigned amounts at the end of the 'true-up' period.]

C. Reporting

10. A single report on the annual compilation and accounting of assigned amounts shall be published.

11. The report on the annual compilation and accounting of emissions inventories and assigned amounts for [the final] [each] year of the commitment period shall be forwarded to any body that may be designated by the COP/MOP for compliance-related purposes and the COP/MOP.

D. Identification and classification of problems

[to be elaborated]

PART IV: REVIEW OF NATIONAL SYSTEMS

A. Purpose

1. The expert review team should assess the extent to which the guidelines for national systems under Article 5.1 have been adhered to, especially any mandatory elements.

B. Timing and procedures to be undertaken

2. Changes of national systems shall be reviewed annually.

3. A thorough review of national systems shall be conducted as a country visit.

C. Reporting

4. For the pre-commitment period review, the results of the review of national systems shall be contained in a report separate from the national communication review report.

5. For review during the commitment period, the results of the review of national systems shall be integrated into the national communication review report.

6. The results of the review of changes of national systems shall be integrated into the annual inventory review report.

D. Identification and classification of problems

[to be elaborated]

PART V: REVIEW OF NATIONAL REGISTRIES

A. Purpose

1. The expert review team should assess:

(a) The extent to which the guidelines for national registries have been adhered to, especially any mandatory elements;

(b) If accounts have been established in the national registries for all legal entities.

B. Timing and procedures to be undertaken

C. Reporting

D. Identification and classification of problems

[to be elaborated]

PART VI: REVIEW OF INFORMATION UNDER ARTICLE 6

A. Purpose

B. Timing and procedures to be undertaken

C. Reporting

D. Identification and classification of problems

[to be elaborated]

PART VII: NATIONAL COMMUNICATIONS AND OTHER COMMITMENTS UNDER THE PROTOCOL

A. Purpose

1. The purposes of the guidelines on the review of national communications, including information reported under Article 7.2, are to promote consistency in the review of the information contained in the national communications, including information provided under Article 7.2, for Annex I Parties.

B. Timing and procedures to be undertaken

C. Reporting

D. Identification and classification of problems

[to be elaborated]

Annex II

POSSIBLE ELEMENTS OF A DRAFT DECISION ON TIMING AND PROCEDURAL ASPECTS OF REVIEW

A. Options: Start of the pre-commitment period review

[Option 1: The pre-commitment period review for each Annex I Party shall commence in [2005] [2006] [2007] [or earlier if an Annex I Party requests to be reviewed].

[Option 2. The pre-commitment period review for each Annex I Party shall commence in 2007 unless the Party has voluntarily initiated the review earlier.]

[Option 3: The pre-commitment period review for each Annex I Party [shall] [should] [be conducted] [commence] [on a voluntary basis] following the submission of information in accordance with Article 7.]

[Option 4: The pre-commitment period review for each Annex I Party shall be conducted following the submission of information in accordance with the criteria contained in the guidelines under Article 7. Annex I Parties may submit information under Article 7 on a voluntary basis up to year [2006] whereupon reviews shall be conducted for each Annex I Party.]

[Option 5: The pre-commitment period review for each Annex I Party may [be conducted] commence on a voluntary basis up to year [2007] whereupon reviews shall be conducted for each Annex I Party.]

[Option 6: The reviews of information under Article 7 in the pre-commitment period, including procedures for adjustments, should be completed for each Annex I Party by the end of 2007.]

B. Options: Start of the annual review

[Option 1: The annual review for each Annex I Party shall commence in the first year of the first commitment period.]

[Option 2: The annual review for each Annex I Party shall commence in the year following the review of the [base year] inventory as part of the pre-commitment period review.]

[Option 3: The annual review for all Annex I Parties shall commence with the first annual inventory submitted for review under Protocol requirements. For Parties that choose to participate in the Kyoto Protocol mechanisms, the annual review shall

commence in the year following the review of the [base year] inventory as part of the pre-commitment period review.]

[Option 4: The annual review shall commence prior to a Party making transfers or acquisitions under Articles 6,12 and 17.]

C. Options: Start of annual compilation and accounting

[Option 1: The annual compilation and accounting of emissions inventories and assigned amounts shall start in the first year of the commitment period.]

[Option 2: After the pre-commitment period review, a compilation with the initial assigned amounts should be produced.]

[Option 3: The annual compilation and accounting of emissions inventories and assigned amounts should occur after the annual review of the inventory for the first year in which transfers and acquisitions under Articles 6, 12 and 17 take place.]

[Option 4: The annual compilation and accounting of emissions inventories and assigned amounts shall occur after the annual review, beginning with the 2008 inventory.]

[Option 5: The annual compilation and accounting of emissions inventories and assigned amounts shall occur after the annual review, beginning in the first year of the commitment period.]

[Option 6: The annual compilation and accounting of emissions inventories and assigned amounts shall occur after the annual review, beginning when the first annual review begins.]

[Option 7. The annual compilation and accounting of each Annex I Party's emissions and assigned amounts shall begin the year the Annex I Party undergoes a pre-commitment period review. However, emissions information shall not be compiled until the 2008 inventory is submitted.]

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DEVELOPMENT AND TRANSFER OF TECHNOLOGIES

STATUS OF THE CONSULTATIVE PROCESS (DECISION 4/CP.4)

Draft text on a framework for meaningful and effective actions to enhance the implementation of Article 4.5 of the Convention

Note by the Chairman

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I. INTRODUCTION

A. Mandate

1. The Conference of the Parties, by its decision 9/CP.5, requested the Chairman of the Subsidiary Body for Scientific and Technological Advice (SBSTA), with the assistance of the secretariat, to make available at the thirteenth session of the SBSTA, a report on the outcome of the consultative process incorporating a draft text on a framework for meaningful and effective actions to enhance the implementation of Article 4.5 of the Convention, with a view to adopting a decision at its sixth session (FCCC/CP/1999/6/Add.1).

2. At its twelfth session (FCCC/SBSTA/2000/5, para. 52 (e)), the SBSTA further requested the Chairman, with the assistance of the secretariat, in preparing such a report, to take into account the information contained in the workshop reports (FCCC/SBSTA/1999/11, FCCC/SBSTA/2000/INF.2, FCCC/SBSTA/2000/INF.6) and as summarized in document FCCC/SBSTA/2000/4, the submissions from Parties (FCCC/SBSTA/2000/MISC.2), and the Intergovernmental Panel on Climate Change (IPCC) *Special Report on Methodological and Technological Issues in Technology Transfer.*

B. Scope of the note

3. This note responds to the above mandates. It reflects the outcome of the consultations held during the pre-sessional week of informal meetings and workshops and the formal twelfth session of the SBSTA. To assist Parties in their preparation for the sixth session of the Conference of the Parties, Section III of this document has been prepared in a format that the Parties may wish to consider using it as elements for inclusion in the draft decision for adoption at that session.

C. Possible action by the SBSTA

4. The SBSTA may wish to consider, prioritize and develop a more focused list of possible elements for inclusion in a framework for meaningful and effective actions to enhance the implementation of Article 4.5 of the Convention. It may wish to develop a draft decision for adoption by the Conference of the Parties at its sixth session, if the format of this note is amenable to such a purpose.

II. STATUS OF THE CONSULTATIVE PROCESS

5. At its twelfth session, the SBSTA took note of the successful completion of the three regional workshops on the transfer of technology consultative process organized by the secretariat with the assistance of the governments of the United Republic of Tanzania, the Philippines, and El Salvador (FCCC/SBSTA/2000/5, paragraph 52 (a)-(b)). The workshops generated a number of ideas as contained in the workshop reports (see paragraph 2 above) and as

summarized in the note by the Chairman on possible elements of a framework for meaningful and effective actions to enhance the implementation of Article 4.5 of the Convention (FCCC/SBSTA/2000/4).

6. The Chairman continued his consultations by convening meetings with representatives of Parties and experts during the pre-sessional week and the formal twelfth session of the SBSTA. The consultations focused on reviewing progress made at the three regional workshops, exchanging views on the IPCC *Special Report on Methodological and Technological Issues in Technology Transfer*, and reviewing the pilot efforts of the secretariat, in cooperation with the Climate Technology Initiative and the United States Government, to develop the secretariat technology web page. During the consultations, the representatives of Parties:

(a) Were given an overview, by a representative of the IPCC Working Group III, of the IPCC *Special Report on Methodological and Technological Issues in Technology Transfer*. The report stressed that the goal of this consultative process should be to increase the flow and quality of technology transfer through an integrated and country-driven approach;

(b) Were provided with information by the secretariat on its pilot project on a technology cooperation project inventory database. The database primarily focuses on projects and activities which have been undertaken by Parties to enhance technology transfer. While far from complete, it was recognized that such a database could be of value to the process by allowing analysis of the direction, magnitude and type of technology flows and providing a source of information on projects which could be emulated and replicated;

(c) Welcomed the presentations by experts from different regions on a framework for meaningful and effective actions. These presentations reinforced many of the key outcomes of the regional workshops, including the importance of considering adaptation technologies, assessing technology needs, developing integrated approaches, and focusing on concrete actions and activities;

(d) Focused discussions on setting a strategy for future deliberations by first seeking broad agreement on key themes or prioritized areas in the development and transfer of technologies and then addressing the more specific activities to address the concerns under each of these themes. During the consultations, the Parties were able to reach agreement on the following key themes:

(i) Technology needs and needs assessments;

(ii) Technology information;

(iii) Enabling environments;

(iv) Capacity-building;

(v) Mechanisms for technology transfer;

(e) Stressed the need for adaptation technologies that include the above-mentioned themes in the process of implementation.

(f) Received an offer from the Government of the United States of America to host an informal consultation on the transfer of technology consultative process.

7. Based on the information generated through the consultative process as described above, a draft framework for meaningful and effective actions to enhance the implementation of Article 4.5 of the Convention is presented below.

III. DRAFT FRAMEWORK FOR MEANINGFUL AND EFFECTIVE ACTIONS TO ENHANCE THE IMPLEMENTATION OF ARTICLE 4.5 OF THE CONVENTION

A. Purposes

8. A framework for meaningful and effective actions to enhance the implementation of Article 4.5 of the Convention has three specific purposes:

(a) To assist the Parties to enhance the implementation of their commitments under Article 4.5 of the Convention;

(b) To facilitate the transfer of technology process, including the promotion of the transfer of technologies under the Convention, by increasing the flow and the quality of technology transfer;

(c) To ensure that the Conference of the Parties has sufficient information to make decisions regarding the implementation of Article 4.5 of the Convention and the transfer of technologies under the Convention.

B. Overall approach

9. Technology transfer is a broad set of processes covering the flows of know-how, experience and equipment for mitigating and adapting to climate change amongst different stakeholders such as governments, private sector entities, financial institutions, non-governmental organizations and research and education institutions.

10. Technology for mitigating and adapting to climate change should be environmentally sound, include both "soft" and "hard" elements of technology, including capacity-building, and should support sustainable development.

11. The technology transfer process should enhance the networks of and partnerships between stakeholders.

12. A high priority and fast-track treatment should be given to the transfer of technology to assist Parties to achieve the ultimate objective of the Convention.

13. The process of technology transfer must be equitable, bottom-up and country-driven in recognition of the diverse environmental, geographic, economic and social characteristics of developing countries and regions.

14. There is a need to balance the development and transfer of greenhouse gas mitigation and adaptation technologies. Some developing countries or regions will give priority to adaptation technologies while others will give priority to mitigation technologies.

15. Technology transfer should focus on products and techniques with multiple benefits that address the objective of climate change and at the same time respond to national development priorities such as poverty alleviation, socio-economic development, improvement of public health and reduction of environmental pollution.

16. The role of governments is crucial in providing an enabling environment to remove policy barriers and increase private sector participation and in affecting the flow, quality and success of technology transfer.

17. The process of technology transfer should build upon and/or incorporate the current activities of the private sector, non-governmental organizations, research institutions and bilateral and multilateral institutions to transfer environmentally sound mitigation and adaptation technologies.

18. The transfer of technology requires an integrated approach that focuses on the development of national and/or regional strategies on technology transfer. Development of these strategies should take into account the interests and interactions of the different stakeholders involved in the process of technology transfer.

19. The private sector in developing country Parties and Annex II Parties plays a critical role in the transfer of technology. Successful technology transfer most often occurs through engagement of all affected interests. This entails collaboration among the government, the community, and the private sector. Although all groups are important, without the private sector only limited technology transfer will occur.

20. Developing countries require assistance from the developed countries to enhance and/or develop human capacity and appropriate institutions and to acquire and adapt specific hardware technologies to local conditions.

C. Key themes and areas for possible activities

21. During the consultations at the twelfth session of the SBSTA, a broad consensus emerged among Parties on the five key themes or areas for inclusion as possible elements of a framework for meaningful and effective actions to enhance the implementation of Article 4.5 of the Convention. Within these broad themes, Parties were able to identify "the what" or the possible activities under each theme. The five key themes are technology needs and needs assessments, technology information, enabling environments, capacity-building, and mechanisms for technology transfer.

22. As the preliminary broad consensus emerged, the Chairman did not have the opportunity to begin the discussion on "how" possible activities/actions should be undertaken. However, the Parties may wish to recall that the workshop reports (see paragraph 2 above) contain information related to possible actions by various stakeholders. The Chairman did not attempt to hold a debate or to reach agreement among participants on the appropriateness, practicability or acceptability of these suggestions. Bearing this in mind, the information contained in this document relating to "how" is provided as an input to further discussions on the design of an appropriate framework for meaningful and effective actions to enhance the implementation of Article 4.5 of the Convention. The information is drawn from the documents identified in paragraph 2.

1. Technology needs and needs assessments

Possible areas for activities or actions

23. Technology needs assessments are an important element of a framework to enhance the transfer of technology under the Convention. The following activities should be considered in the implementation of technology needs assessments:

(a) Identification of technology needs to assist the developing countries to meet their sustainable development goals and the objective of the Convention;

(b) Sectoral analyses which are rigorous and bottom-up to identify both mitigation and adaptation technologies as appropriate to each country and/or region;

(c) Vulnerability assessments to assist in prioritizing technologies related to anticipatory adaptation to climate change;

(d) Technology needs assessments that follow a country driven process to evaluate and prioritize local needs for environmentally sound technologies (ESTs).

24. Technology needs assessments should embrace a consultative approach and include all stakeholders including national and local governments, domestic and international business, technical and research institutions, and non-governmental organizations;

25. Technology needs assessments should address market potential, greenhouse gas (GHG) mitigation (or adaptation) potential, technology impact analyses (e.g., development benefits, environmental benefits) as well as identification and analysis of the barriers to technology transfer and the actions to remove these barriers.

26. The outcome of technology needs assessments should be country- or region-specific technology implementation plans. These plans should identify a prioritized set of technology needs and a portfolio of climate technology activities for both mitigation and adaptation.

Possible means of implementing technology needs assessments

27. The following are possible means of implementing technology needs assessments:

(a) Developed country Parties and other developed Parties included in Annex II shall provide financial and technical assistance to developing country Parties in meeting technology needs and carrying out needs assessments; (Group of 77 and China)

(b) Cooperative programmes shall be established so that financial and technical assistance can be provided to developing countries to conduct technology needs assessments; (Group of 77 and China), (China)

(c) Non-Annex I Parties shall include in their national communications information on the outcome of their technology needs assessments. (European Union), (United States of America), (Canada)

2. Technology information

Possible areas for activities or actions

28. The assessment of and access to information are essential to technology transfer. A framework should improve the flow of, access to, and quality of information relating to the development and transfer of mitigation and adaptation technologies under the Convention. The following activities should be considered in the implementation of technology information strategies:

(a) Technology information programmes that are demand-driven and result-oriented and that target specific stakeholder needs. Such programmes should facilitate informed decision-making and should range from public awareness programmes to public and private sector capacity-building;

(b) Information assessment and technology infrastructure efforts that increase the flow of information rather than addressing specific information barriers;

(c) Information systems which are integrated into national, regional and international networks through specialized centres (e.g. energy efficiency centres), trade organizations, non-government organizations, media, and community groups; establishment of benchmarks, standards and labelling for ESTs which aim to improve the comparability and quality of technology information. Indicators have the potential to improve technology and to evaluate technology performance, improve quality and discourage the transfer of outdated technology. They can also be used to establish criteria for measuring the technology transfer programmes and monitoring and reporting on implementation.

Possible means of implementing technology information activities

29. The following are possible means of implementing technology information activities:

(a) Developed country Parties shall each establish, a 'one-stop technology transfer shop' to coordinate and implement technology transfer programmes . These 'one-stop shops'

could assist with the preparation of projects and programmes to respond to prioritized needs for mitigation and adaptation; (Group of 77 and China), (China)

(b) Developed country Parties shall develop inventories of available environmentally sound technologies including those in the public domain as well as technology transfer activities in the past or present; (Group of 77 and China), (China)

(c) An international, regional and subregional information clearing house shall be established. The information clearing house shall have the following objectives: (China), (Canada), (United States of America), (Alliance of Small Island States)

(i) To improve information access for developing and other countries on existing technology assistance programmes;

(ii) To provide donors and private investors with information on countries' technology needs opportunities;

(iii) To create an information network on technology inventories, donor programmes and other activities related to technology transfer.

(d) To build on the success of current work, including that undertaken by the UNFCCC secretariat, in cooperation with the Climate Technology Initiative, to develop a new search engine that allows for quick access to reliable information on ESTs, know-how and good practice; (Canada)

(e) All Parties shall support initiatives to educate business, key government agencies responsible for approving new investment projects, and consumers about the benefits and applications of specific technologies.

3. Enabling environments

Possible areas for activities or actions

30. An enabling environment for technology transfer, as described in the IPCC *Special Report on Methodological and Technological Issues in Technology Transfer*, includes macroeconomic conditions, the involvement of social organizations, national institutions for technology innovation, human and institutional capacities for selecting and managing technologies, the underpinnings of sustainable markets for environmentally sound technologies, national legal institutions that reduce risk and protect intellectual property rights, codes and standards, research and technology development, and the means for addressing equity issues and respecting existing property rights.

31. The following activities should be considered in creating the enabling environments for technology transfer:

(a) The identification and analysis of barriers at each stage of the technology transfer process, such as distorted incentives, deficiencies in the legal system and inadequate regulation to ensure private sector participation;

(b) The development of macro-economic conditions including trade policies, exchange rates, competitive markets and foreign investment policies that contribute to sustainable development and economic growth; efficiently functioning EST markets should be promoted through the introduction of appropriate pricing structures, taxes, incentives, subsidies, etc.;

(c) The development of effective and efficient legal and regulatory systems, including development of industry codes, product standards, and certification, as well as regimes for the protection of intellectual property rights. Additionally, efficient rules for transactions such as terms of licensing should be promoted to reduce perceived risks and encourage innovation by private sector participants;

(d) The introduction of innovative financing for EST, for example through the development of public/private and private/private partnerships or through the creation and promotion of financial intermediaries such as energy service companies;

(e) The development of a market infrastructure, in terms of both physical and business support infrastructures. Research and development policies should also be strengthened and the utilization of networks of research institutions should be encouraged. These networks may also facilitate the transfer of publicly developed and financed technologies.

Possible means of creating enabling environments for technology transfer

32. The following are possible means of creating enabling environments for technology transfer:

(a) All governments shall play an important role in promoting effective enabling environments at the global and country level for the transfer of ESTs;

(b) Developed country Parties and other developed country Parties included in Annex II shall implement domestic programmes to discourage industries in their countries from applying restrictive business practices; (Group of 77 and China)

(c) Developed country Parties shall develop and implement domestic actions and incentives, e.g., earmarked subsidies for the development and transfer of ESTs, export credit facilities, government purchase contracts, tax preferences, as well as appropriate regulations to promote transfer of ESTs by the private sector; (China), (Group of 77 and China)

(d) All Parties shall promote joint research and development programmes and joint patenting between developed and developing countries and among developing countries, both bilaterally and multilaterally; (Republic of Korea)

(e) Developing country Parties shall identify and establish focal points to coordinate domestic technology transfer activities and actions such as the development of a portfolio of climate technology actions for mitigation and adaptation; (Group of 77 and China)

(f) Non-Annex I Parties shall develop and enhance regional and South-South technology transfer initiatives, particularly for adaptation technologies. (Group of 77 and China), (United States of America)

(g) All Parties shall introduce measures to enforce regulations, taxes, codes, standards, legal systems, protection of intellectual property rights to encourage innovation, foreign direct investments and the promotion of open and competitive markets for ESTs; (Canada)

(h) Developed country Parties shall purchase patents and licences on commercial terms for their transfer to developing counties on non-commercial terms, taking into account the need to protect intellectual property rights; (China)

(i) An environmentally sound technology bank or centre shall be established. The bank or centre shall serve as a vehicle to share and exchange publicly funded ESTs which could be offered on a voluntary basis; (Republic of Korea)

(j) All Parties shall promote networking amongst private and public stakeholders to help strengthen capacity for technology transfer; (European Union)

4. Capacity-building

Possible areas for activities or actions

33. Adequate capacity in the form of human, organizational, and information assessment capacity, is required at all stages of the technology transfer process. Capacity-building is a cross-cutting issue, for which overlapping needs and activities extend across many different aspects of activities under the Convention. The needs and activities related to capacity-building for a technology transfer framework should take into account elements pertaining to capacity-building for other aspects of the Convention. The following are activities related to effective capacity-building in technology transfer:

(a) Capacity-building to support the implementation of technology needs assessments, develop technology implementation plans, access information on assessment of technology, develop effective enabling environments and implement technology transfer mechanisms;

(b) Capacity-building to strengthen public and private networks in which diverse organizations contribute to technology transfer;

(c) Capacity-building to strengthen public institutions such as regulatory, legal and financial institutions, to enable them to effectively manage and coordinate the process of technology transfer;

(d) Capacity-building to enhance the involvement of developing countries in research and development of climate-related ESTs so as to extend and adapt technologies to local conditions;

(e) Capacity-building in the public and private sectors to enhance the identification, development and implementation, including monitoring and evaluation, of projects.

Possible means of building capacity

34. The following are possible means of building capacities of all stakeholders particularly of the developing countries:

(a) All Parties shall enhance the skills of enterprises in the installation, operation, maintenance and adaptation of specific technologies, and broaden understanding of methodologies for evaluating alternative technological options; (United States of America)

(b) All Parties shall strengthen existing regional institutions, taking into account consideration country- and sector-specific peculiarities; (Group of 77 and China)

(c) Demonstration or pilot projects on capacity-building in technology transfer shall be established. (Group of 77 and China), (China)

5. Mechanisms for technology transfer

35. The objective of mechanisms for technology transfer is to enhance the coordination of the full range of stakeholders in different countries and regions and to engage them in cooperative efforts to accelerate the development and diffusion, including transfer, of environmentally sound technologies, know-how and practices to and between developing countries through technology cooperation and partnerships (public/public, private/public and private/private).

Possible mechanisms relating to technology transfer

36. To achieve the above-mentioned objectives and the various suggested activities under each theme, the Parties may wish to consider the following actions as part of a framework for the implementation of meaningful and effective actions to enhance the implementation of Article 4.5 of the Convention:

(a) To establish a review body or system to continue the dialogue for the advancement of technology transfer under the Convention. The body may have the functions of evaluating, monitoring and reviewing the current situation and the progress made on technology transfer under Article 4.5 of the Convention as well as other relevant articles of the Convention (China). This could include the establishment of an ad hoc panel of experts on development and transfer of technology (the regional workshops);

(b) To establish a technology transfer mechanism as an umbrella mechanism through which the technology needs of developing countries can be identified and communicated, capacity and capacity-building can be enhanced, and technologies and know-how can be transferred, operated, disseminated and maintained (China) (Group of 77 and China). This may include the establishment of an intergovernmental technical advisory panel (Group of 77 and China, Republic of Korea, and China), an innovative mechanism in the context of UNFCCC to assist developing country Parties to obtain environmentally sound technologies and know-how to address climate change on non-commercial and preferential terms, thus contributing to the ultimate objective of the Convention, and a unit in the UNFCCC secretariat to coordinate with the national focal points for technology transfer). The terms of reference of this mechanism shall be defined in detail; (Group of 77 and China), (China)

(c) To establish national systems of innovation which integrate the elements of capacity-building, access to information and an enabling environment into a comprehensive approach to EST transfer; (IPCC special report)

(d) To establish funding specifically for technology transfer within the Convention financial mechanism to support capacity-building, transfer of technology information, needs assessments, research and development on endogenous capacities to screen mitigation and adaptation projects for environment friendliness and enhancement of the implementation of Parties' commitments under the Convention. Funding sources can be the Annex II Parties, international organizations, multilateral development banks, etc.; (Group of 77 and China)

(e) To establish a revolving EST investment fund to finance EST transfer projects and programmes, with payback to the fund from the proceeds of the projects through profit sharing; (Republic of Korea)

(f) To use integrated approaches by strengthening existing bilateral and/or multilateral institutions including existing programmes and activities to enhance technology transfer (European Union, United States of America). In view of the importance of coordination of existing sources of funding offered by the Global Environment Facility, and multilateral and bilateral development programmes, there is a need to improve the availability of information on existing activities, based on information provided by the national communications of the Parties; (European Union)

(g) To utilize the Global Environment Facility to initiate programmes to implement the decisions of the Conference of the Parties in relation to Article 4.5 of the Convention; (Group of 77 and China)

(h) To consider using the Climate Technology Initiative as one possible mechanism to coordinate donor responses to country-driven technology needs (US) as well as to coordinate other technology transfer programmes and activities among the donor countries; (United States of America, European Union, Canada and Japan)

(i) To establish a multilateral joint climate change research and development programme to promote joint research and development among and between developed and developing countries; (Republic of Korea)

(j) To consider the establishment of cooperation programmes to promote research and innovation for the adaptation of technologies, in particular with the least developed countries; (European Union)

(k) To consider the potential significant role of the clean development mechanism and joint implementation under the Kyoto Protocol as vehicles for technology transfer (United States, European Union, Canada). There is a need to consider the positive linkages in the design of technology transfer action in a framework to enhance the implementation of Article 4.5 of the Convention; (United States, European Union, Canada, Japan)

(l) To refuse the notion that the use of the clean development mechanism will be the primary tool in implementing Article 4.5 of the Convention;[1] (Alliance of Small Island States) (Group of 77 and China)

(m) To establish regional and subregional climate change centres that will serve as clearing houses on all aspects of climate change, including technology and technology transfer. Such institutions will be in continuous liaison with national, regional and international institutions involved in technology research and development, in both the private and the public sectors. These centres will also be able to serve as quality control nodes and will advise on technology adoption and operation and maintenance. (Group of 77 and China, AOSIS, and the regional workshops).

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[1] Group of 77 and China proposed the development of separate decisions on Article 4.5 of the Convention and Article 12 of the Kyoto Protocol.